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TAX REFORM REPEATING ITSELF?
By: ALICIA BROCKLAND, CPA, ABV

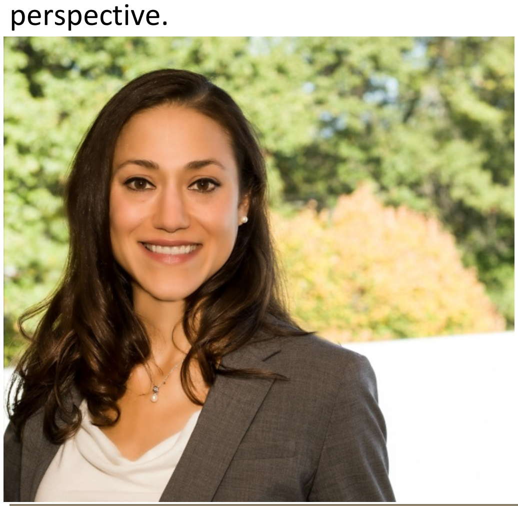
My parents recently moved and, in that process my father revisited his old collection of Time magazines. An edition published in February 1963 discussed President John F. Kennedy's tax reform proposal.

At the time, for married filing joint, the lowest tax rate for income up to $4,000 was 20% and the top rate, for income over $400,000 was 91%. Yes, 91%! And there were 25 tax brackets to boot. President Kennedy proposed reducing the lowest rate to 14% and the top rate to 65% over a three-year period. The President's proposal also included dropping the corporate tax rate from 52% to 47%.

Because of the high tax rates, tax payers became pretty creative with deductions and the IRS spent quite a bit of time fighting against their deductibility (perhaps not much has changed in that regard). President Kennedy's proposals for tax reforms were largely aimed at nudging taxpayers towards taking the standard deduction rather than itemizing in an effort to simplify both tax preparation and enforcement. Sound familiar?

Sadly, President Kennedy was assassinated in November 1963 and did not have the opportunity to see his proposal through. President Lyndon Johnson signed The United States Revenue Act of 1964 on February 26, 1964 which cut individual income tax rates across the board by approximately 20% and slightly reduced corporate income tax rate.

The 2017 Tax Cuts and Jobs Act has once again changed the tax law landscape and the message we heard was similar to President Kennedy's message that tax reform was "the most urgent task confronting the Congress in 1963." Revisiting history has a funny way of helping put things in perspective.



If you have questions about this or any other business or tax issue, contact your Account Manager or [Alicia Brockland, CPA, ABV,] at (314) 205-2510 or via email at abrock@connerash.com.